



(Sent as an E-mail to interested parties)

Hi folks,

The attached map PDF shows some lands that the Washington Department of Natural Resources (DNR) is planning to auction oil and gas leases on June 7, 2006. The auction will be held at 8:00 a.m. in Room 172 of the Natural Resources Building, 1111 Washington Street SE, Olympia, WA 98504. I am sending this email to all of the players in the Columbia Basin as well as 46 other companies that indicated interest in Washington during the February 2006 NAPE in Houston.

For those planning to attend the Bureau of Land Management (BLM) oil and gas auction in Portland on June 8th, it will be easier and much faster to rent a car at Seattle Tacoma International Airport and drive to Olympia and then, following our auction, drive to Portland. Portland is about two and a half hours south of Olympia on Interstate Highway 5. It would be easiest to fly out of Portland, rather than returning to Seattle.

During DNR's June 7th auction, we will concentrate on acreage within the Columbia Basin. Note that the Columbia Basin was contiguous with thick Eocene sandstone, shale, and coal sequences of Western Washington prior to 7 ma, so the effective margins of the basin may be best defined by geothermal rather than stratigraphic constraints. Therefore, we are including acreage that we feel may straddle the effective western and northern basin margins.

We plan another auction on October 26, 2006, at which we will offer any newly expired leases in the central Columbia Basin and lands in Western Washington having potential for basin centered gas, CBM, and(or) paraffinic oil.

The acreage available for leasing during the June 7th oral auction includes parcels with known potential for deep basin-centered and(or) conventional gas accumulations in the Central Columbia Basin and parcels within frontier areas such as the Columbia Basin margins and any acreage nominated elsewhere in Washington. For the Central Columbia Basin parcels, we are tentatively offering terms as follows:

- Five-year terms
- 12.5% royalties
- \$5.00 rentals
- \$10.00 per acre minimum bonuses

For the Columbia Basin margins and any acreage nominated elsewhere in Washington, we plan to offer the following terms:

- Seven-year terms
- 12.5% royalties
- \$2.00 rentals during years 1 through 5 followed by...
- \$5.00 rentals for years 6 and 7.
- \$6.00 per acre minimum bonuses

DNR welcomes any constructive comments you may have regarding the auction and leasing.

If you have other Washington State-owned lands that you wish to nominate for the June 7th auction, return a completed nomination form (available on our website) by April 24, 2006. (Keep in mind that personnel constraints may limit our ability to prepare all parcels shown on the PDF in time for the June 7th auction. To be certain that a parcel is available for lease on June 7th, please fill in a nomination form.)

Our website, which is frequently updated, has considerable relevant data, a bibliography of oil & gas literature about Washington State, and more information on DNR's lease auctions. The web address is:

http://www.dnr.wa.gov/htdocs/sales_leasing/leasing/oilandgas/auction/index.html

If you need information on land issues, call Terri Johnson, Jim Speaks, or Paul Penhallegon at 360-902-1600. Stephen Slaughter (360-902-1177) can help you with digital geology, shapefiles, etc. If you have questions on the auction strategy or Washington's petroleum geology, I'm happy to help.

Cordially,

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